

<i>SERFF Tracking Number:</i>	<i>ARKS-125431646</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>00006 - INSURANCE SERVICES OFFICE, INC.</i>	<i>State Tracking Number:</i>	<i>#104689 \$50</i>
<i>Company Tracking Number:</i>	<i>FR-2007-RLTR1</i>		
<i>TOI:</i>	<i>17.0 Other Liability - Claims Made/Occurrence</i>	<i>Sub-TOI:</i>	<i>17.0000 Other Liability Sub-TOI Combinations</i>
<i>Product Name:</i>	<i>Liability</i>		
<i>Project Name/Number:</i>	<i>Farm Program Terrorism/</i>		

Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: Liability	SERFF Tr Num: ARKS-125431646	State: Arkansas
TOI: 17.0 Other Liability - Claims	SERFF Status: Closed	State Tr Num: #104689 \$50
Made/Occurrence		
Sub-TOI: 17.0000 Other Liability Sub-TOI	Co Tr Num: FR-2007-RLTR1	State Status: Fees verified and received
Combinations		
Filing Type: Rule	Co Status:	Reviewer(s): Becky Harrington, Betty Montesi, Brittany Yielding
	Author:	Disposition Date: 01/23/2008
	Date Submitted: 01/14/2008	Disposition Status: Filed
Effective Date Requested (New): On Approval		Effective Date (New):
Effective Date Requested (Renewal):		Effective Date (Renewal):
State Filing Description:		

General Information

Project Name: Farm Program Terrorism	Status of Filing in Domicile:
Project Number:	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 01/23/2008	
State Status Changed: 01/23/2008	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	
Rules for Farm Liability Terrorism	

Company and Contact

Filing Contact Information

NA NA, NA@NA.com

SERFF Tracking Number: ARKS-125431646 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104689 \$50
Company Tracking Number: FR-2007-RLTRI
TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0000 Other Liability Sub-TOI Combinations
Product Name: Liability
Project Name/Number: Farm Program Terrorism/

NA (123) 555-4567 [Phone]

NA, AR 00000

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas
INC.

No Address Group Code: Company Type:
City, AR 99999 Group Name: State ID Number:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

SERFF Tracking Number: *ARKS-125431646* *State:* *Arkansas*
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Product Name: *Liability*
Project Name/Number: *Farm Program Terrorism/*

Filing Fees

Fee Required? *No*
Retaliatory? *No*
Fee Explanation:
Per Company: *No*

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Product Name: Liability
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	01/23/2008	01/23/2008

SERFF Tracking Number: *ARKS-125431646* *State:* *Arkansas*
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Product Name: *Liability*
Project Name/Number: *Farm Program Terrorism/*

Disposition

Disposition Date: 01/23/2008

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment: Effective upon approval

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125431646 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104689 \$50
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Product Name: Liability
Project Name/Number: Farm Program Terrorism/

Item Type	Item Name	Item Status	Public Access
Supporting Document	ARKS-125431646		No

SERFF Tracking Number: *ARKS-125431646* *State:* *Arkansas*
Filing Company: *00006 - INSURANCE SERVICES OFFICE, INC.* *State Tracking Number:* *#104689 \$50*
Company Tracking Number: *FR-2007-RLTRI*
TOI: *17.0 Other Liability - Claims Made/Occurrence* *Sub-TOI:* *17.0000 Other Liability Sub-TOI Combinations*
Product Name: *Liability*
Project Name/Number: *Farm Program Terrorism/*

Rate Information

Rate data does NOT apply to filing.

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Product Name: Liability
Project Name/Number: Farm Program Terrorism/

Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125431646

01/24/2008

Comments:

Attachments:

ARKS-125431646 1.pdf

ARKS-125431646 2.pdf



2828 EAST TRINITY MILLS ROAD SUITE 150 CARROLLTON, TX 75006
TEL: (214) 390-1825 FAX: (214) 390-1975

ER

January 11, 2008

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

CH#104689

\$50

ARKS-125413646

RECEIVED

JAN 14 2008

Attention: William R. Lacy, Director
Property and Casualty Division

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

FILED

JAN 14 2008

RE: Insurance Services Office, Inc.
FR 2007-RLTR1
Farm Program
Farm Rules Addressing Liability Insurance Revised in Response to
Terrorism Risk Insurance Program Reauthorization Act of 2007
REFERENCE FILING
State of Arkansas

PROPERTY AND CASUALTY
ARKANSAS INSURANCE DEPT.

Dear Mr. Lacy:

Insurance Services Office, Inc. (ISO) hereby files the captioned revision. The purpose of this filing is to revise certain rules in response to enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007.

This Act extends the federal Terrorism Risk Insurance Program (which was set to expire at the end of December 31, 2007) for a seven-year period, through December 31, 2014. Several other noteworthy changes in the Act include:

- Revision to the criteria for certification of an act to eliminate the requirement that the act be committed on behalf of a foreign person or foreign interest.
- Requirement to provide a clear and conspicuous disclosure of the \$100 billion cap on payments for insured losses, as well as a strengthening of that cap.
- Requirement that the Secretary of the Treasury develop regulations for determining the pro rata share of insured losses to be paid under the program when those insured losses exceed \$100 billion during any one program year.

Insurers are now faced with the task of overhauling policy administration systems to comply with the new requirements, including new policy language reflecting the revised definition of a certified

act, additional disclosure requirements, and other issues. For this reason, we are proposing that this revision become effective in accordance with the following rule of application:

These changes are available for insurer use upon your approval.

To provide maximum flexibility to insurers in revising their policy administration systems, we propose that insurers are not required to advise you of the actual date on which they incorporate the attached into their workflow. This will avoid the need for unnecessary filings to delay effective dates, and takes into consideration the fact that insurers have varying system considerations and lead-time requirements.

It is very important that insurers have the tools contained in this filing available for use as soon as practicable. Your prompt approval of this critical filing is appreciated. Should you have any questions on the material contained herein, we would be happy to discuss them with you at your convenience.

Please return an acknowledged copy of this cover letter for our records. An addressed, stamped envelope is enclosed for your convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "Donald J. Beckel", written in a cursive style.

Donald J. Beckel, CPCU, ARM
Assistant Regional Manager

DJB:db

Encl.

**EXPEDITED FILING TRANSMITTAL DOCUMENT
FOR TERRORISM RISK INSURANCE FORMS AND PRICING**

This page applies to the following state(s) Arkansas

Indicate Type of Filing
<input checked="" type="checkbox"/> Filing Related to <i>Certified Losses</i>
<input type="checkbox"/> Filing Related to <i>Non-Certified Losses</i>
<input type="checkbox"/> Filing Applicable to Both Certified and Non-Certified Losses

Department Use only

Company Name(s)	Domicile	NAIC #	FEIN #
Insurance Service Office, Inc.	Delaware	N/A	13-3131412

Contact Info for Filer

Name and address of Filer(s)	Telephone #	FAX #	e-mail
Donald J. Beckel, CPCU, ARM Insurance Services Office, Inc. 2828 E. Trinity Mills Road, Suite 315 Carrollton, TX 75006	(214) 390-1825	(214) 390-1975	dbeckel@iso.com

Filing information

Line of Insurance (see attachment)	Farm	<div style="text-align: right;"> RECEIVED JAN 14 2008 PROPERTY AND CASUALTY DIVISION ARKANSAS INSURANCE DEPARTMENT </div>
Company Program Title (Marketing title) (if applicable)	Farm Program	
Filing Type ** see note below	Rules	
This application is used with:	Commercial Lines Manual Terrorism Supplement	
Effective Date Requested	Upon Approval	
Filing date	1/11/08	
Company Tracking Number	FR-2007-RLTR1	
Date filing approved in domiciliary state, if applicable		

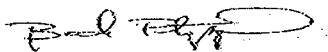
Component/Form Name /Description/Synopsis	Form # or Rate Page Include edition date	Replacement Or withdrawn?	If replacement, give form # or rate page(s) it replaces	Previous State Filing Number, if required by state
See attached.		<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		
		<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		
		<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		

To be complete, a filing must include the following:

- A completed Expedited Filing Transmittal Document for each insurer or advisory organization.
- One copy of each endorsement, disclosure form or other policy language, unless the insurer has given an advisory organization authorization to file them on its behalf.
- A copy of the rates, rating systems and supporting documentation.
- The appropriate filing fees, if required
- A postage-paid, self-addressed envelope **large enough to accommodate the return.**

The insurer(s) submitting this filing certifies that it:

- ☒ Is in compliance with the terms of the Terrorism Risk Insurance Act, as amended, and the laws of this state; and
- ☒ Is in compliance with the requirements of the bulletin containing the voluntary expedited filing procedures.


Signature

Beth Fitzgerald
Print Name:

Vice President
Title:

	<u>Component/Form Name</u> <u>/Description/Synopsis</u>	Form # or Rate Page Include edition date	Replacement Or withdrawn?	If replacement, give form # or rate page(s) it replaces	Previous State Filing Number, if required by state
	Terrorism Options - Federal Backstop - Farm Liability		<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		
	Rule 40.N. Farm And CGL Farm Umbrella Liability Coverage General Rules, Terrorism Endorsement Options - Federal Backstop		<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		
	Rule 50.J. Farm Excess Liability Coverage, Terrorism Endorsement Options - Premium Determination		<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither		

Farm Rules Addressing Liability Insurance Revised In Response To Terrorism Risk Insurance Program Reauthorization Act Of 2007

About This Filing

This filing revises certain Farm Liability, Farm Umbrella Liability and Farm Excess Liability terrorism rules in response to the enactment of the Terrorism Risk Insurance Program Reauthorization Act Of 2007.

Revised Rules

We are revising the following rules in the Farm section of the Commercial Lines Manual Terrorism Supplement:

- ◆ Terrorism Options – Federal Backstop – Farm Liability
- ◆ Rule 40.N. Farm And CGL Farm Umbrella Liability Coverage General Rules, Terrorism Endorsement Options – Federal Backstop
- ◆ Rule 50.J. Farm Excess Liability Coverage, Terrorism Endorsement Options – Premium Determination

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes from the current versions to the new versions. Concurrent with implementation, the new versions will supersede the prior versions.

NOTE: This filing refers to the current version numbers. In the actual publication of the revised Terrorism Supplement, new version numbers will be assigned in order to better distinguish the old from the new.

Related Filing(s)

- ◆ Forms Filing FR-2007-OLTR1 (Arkansas)
- ◆ Commercial Lines Forms Filing CL-2007-OTRP1
- ◆ Commercial Lines Rules Filing CL-2007-RTRP1

Background

The Terrorism Risk Insurance Act (TRIA) of 2002 established a program (Terrorism Risk Insurance Program) within the Department of the Treasury, under which the federal government shares, with the insurance industry, the risk of loss from future terrorist attacks. Pursuant to Section 103(c) of the Act, all insurers providing insurance for applicable lines of business are required to participate in the program by making available coverage for insured losses resulting from an act of terrorism as defined by the Act (so-called certified acts coverage). The Terrorism Risk Insurance Program was extended for two years, until December 31, 2007, by the Terrorism Risk Insurance Extension Act of 2005, which incorporated various changes with respect to federal share of losses and affected lines of business. We responded in the past to each of these enactments, with filings of various coverage options and related rules addressing the terrorism risk.

Current Environment

The federal Terrorism Risk Insurance Program has been revised and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007, which incorporates various changes to the Program. Certain changes, summarized as follows, have an impact on ISO terrorism forms (addressed in the companion Farm Forms filing) and the rules associated with those forms:

- ◆ Under Section 102(1)(A)(iv) of the Act, the definition of an act of terrorism (with respect to certification of such act) is revised by eliminating the criterion that the act be committed on behalf of a foreign person or foreign interest. As revised, the definition, in part, requires the act to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- ◆ Section 103(b)(3) of the Act requires disclosure of the existence of the \$100 billion cap on payments by insurers.
- ◆ Section 103(e)(2)(A) of the Act eliminates the provision asserting that Congress may take action to increase the \$100 billion cap in the event that insured losses exceed such cap; and Section 103(e)(2)(B) requires the Secretary of the Treasury to issue regulations for determining the pro rata share of insured losses to be paid under the Program (up to \$100 billion) when insured losses exceed \$100 billion.

Explanation of Changes

Terrorism Options – Federal Backstop – Farm Liability Rule (BE-103)

Rule 40. N. Farm And CGL Farm Umbrella Liability Coverage General Rules Terrorism Endorsement Options – Federal Backstop (UE-104)

The rules are revised as follows:

- ◆ Revise reference to the criteria for certification of an act of terrorism, by deleting the text relating to "actions committed on behalf of any foreign interest", in line with the revision to Section 102(1)(A)(iv) of the Act.
- ◆ Revise the language expressing the existence and effect of the cap. As revised, the language explicitly refers to the amount of the cap and addresses allocation of insured losses, pursuant to Sections 103(e)(2)(A) and 103(e)(2)(B) of the Act.
- ◆ Delete reference, in the Introduction section, to the offer of coverage. The reference to making coverage available comports more closely to the language of the Act.
- ◆ Indicate, in the Introduction section, that the existence of the \$100 billion cap must be disclosed to the policyholder at the time of offer, purchase and renewal of the policy, pursuant to Section 103(b)(3).
- ◆ Editorially revise several of the descriptions of endorsements.
- ◆ With respect to the options for (1) excluding only certified acts involving NBCR terrorism and (2) covering certified acts subject to an aggregate limit, the revised rules:
 - Explicitly convey that these options may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage. This is in accordance with current Treasury Guidance concerning the rejection scenario.
 - Indicate that the Arkansas Changes – Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism endorsement may be used in conjunction with these options.
- ◆ Recognize the scheduled termination date of the federal program, that is, December 31, 2014.
- ◆ Delete reference to endorsements excluding or limiting coverage for "other acts" of terrorism (or certified and other acts combined). The disposition of forms and rules excluding or limiting coverage for "other acts" of terrorism will be addressed in separate filings.

We are also correcting a typographical error in Paragraph N.2.c. of Farm Umbrella Rule 40. The reference to FB 10 23 is changed to FB 10 24. (Endorsement FB 10 24 is referenced in Paragraph b.)

Rule 50.J. Farm Excess Liability Coverage, Terrorism Endorsement Options – Premium Determination (EE-100)

The rule is revised as follows:

- ◆ Revise the Disclosure Of Premium paragraph to indicate that the existence of the \$100 billion cap must be disclosed to the insured as a condition for reimbursement under the federal program, pursuant to Section 103(b)(3). This paragraph has also been revised to set forth which disclosure endorsement is applicable for policies that begin prior to the last year of the program and which endorsements are applicable for policies that begin in the last year of the program.
- ◆ Recognize the scheduled termination date of the federal program, that is, December 31, 2014.

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VERSION BE103 ARKANSAS

TERRORISM OPTIONS – FEDERAL BACKSTOP – FARM LIABILITY

ARKANSAS TERRORISM ENDORSEMENT

If the policy includes any of the terrorism endorsements as outlined in this rule or in the terrorism options under Division Six – General Liability when Farm liability coverage is being provided by use of the Commercial General Liability Coverage Form, attach Arkansas Changes – Terrorism Endorsement **FP 01 81**. This endorsement states that no terrorism exclusions or limitations will apply to any dwelling, other private structures appurtenant to the dwelling, household personal property or to an insured's personal or non-business activities.

INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing Farm Liability insurance, with the exception of Farmowners multiple peril insurance, are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to non-terrorism events.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

IMPORTANT GENERAL INFORMATION

In the policy Declarations (or by other means at the insurer's option), it is advisable to indicate applicability of terrorism endorsements by line of business. This is especially important for a package policy that includes both TRIA and non-TRIA lines of business.

IMPORTANT INFORMATION REGARDING FARM POLICIES WITH RESPECT TO TREATMENT AS A TRIA OR NON-TRIA LINE OF BUSINESS

On December 22, 2005, President Bush signed the "Terrorism Risk Insurance Extension Act of 2005" which, in part, extended the provisions of TRIA until 2007 **but** excluded "farm owners multiple peril" insurance as a line of insurance subject to the provisions of TRIA.

On May 11, 2006, the Department of the Treasury published its Interim Final Rule as part of its implementation of The Terrorism Risk Insurance Extension Act of 2005. In part, the rule clarifies the types of commercial property and casualty insurance covered by the Act. Policies which are considered to be farmowners multiple peril insurance are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. The Rule describes the insurance as follows: "farmowners multiple peril insurance, including insurance reported under Line 3 (Farmowners Multiple Peril) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14)." Any Farm policy providing coverage against only a single peril or providing monoline farm insurance coverage remains subject to the provisions of the Act and companies are required to make available coverage for certified acts of terrorism.

For those policies in which Farm liability coverage is being provided by use of Commercial General Liability (occurrence) Coverage Form **CG 00 01**, refer to Division Six – General Liability for Terrorism endorsement options.

For those policies in which Farm liability coverage is being provided by use of Farm Liability Coverage Form **FL 00 20 AND** which are considered to be Farmowners multiple peril insurance, refer to Paragraph C. Such policies are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. If the policy is **not** considered to be Farmowners multiple peril insurance, the following apply:

- A. THE FOLLOWING PARAGRAPHS, ~~A.1. AND A.2.~~ IN THIS SECTION A., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

~~When coverage for certified acts of terrorism:~~

- ~~1. When coverage for certified acts of terrorism is to be provided, the following options are available:~~
 - ~~a. To Provide coverage for certified acts of terrorism and other acts of terrorism (subject to underlying policy provisions), but provide that the insurer will not pay any amount for injury or damage for any certified act of terrorism after the amounts of all such events in a statutory period exceed the cap provided by the Act. Use Cap On Losses From Certified Acts Of Terrorism Endorsement **FL 10 70**.~~
 - ~~b. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy provisions), and exclude other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). Use Limited Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement **FL 10 71**.~~
 - ~~c. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy provisions), and exclude losses arising out of an other act of terrorism that only involves nuclear, biological or chemical material (thereby providing coverage for all other acts of terrorism not involving nuclear, biological or chemical material). Use Nuclear, Biological Or Chemical Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement **FL 10 72**.~~
 - ~~db. To also exclude punitive damages arising out of a certified act of terrorism, use Arkansas Changes – Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism Endorsement **FL 10 96**.~~
- ~~2. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options are available:~~

- a. ~~To Exclude coverage for certified acts of terrorism andbut provide coverage for other acts of terrorism (subject to underlying policy provisions). Useuse Exclusion Of Certified Acts Of Terrorism Endorsement FL 10 73.~~
- b. ~~Exclude coverage for losses arising out of a certified act of terrorism and any other act of terrorism that involves nuclear, biological or chemical materials (thereby providing coverage for all other acts of terrorism not involving nuclear, biological or chemical material). Use Exclusion Of Certified Acts Of Terrorism And Other Nuclear, Biological Or Chemical Acts Of Terrorism Endorsement FL 10 74.~~
- c. ~~Exclude all losses arising out of certified acts of terrorism and other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). Use Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement FL 10 75.~~
- d. ~~To provide coverage for certified acts of terrorism and other acts of terrorism subject to a Certified Acts And Other Acts Of Terrorism Aggregate Limit, use Certified Acts And Other Acts Of Terrorism Aggregate Limit; Cap On Losses From Certified Acts Of Terrorism Endorsement FL 10 39. (Coverage is subject to the cap on liability for losses and subject to underlying policy provisions.)~~
- eb. To provide coverage for certified acts of terrorism subject to a Certified Acts Of Terrorism Aggregate Limit and provide coverage for other acts of terrorism subject to full policy limits, use Certified Acts Of Terrorism Aggregate Limit; Cap On Losses From Certified Acts Of Terrorism Endorsement FL 10 40. (Coverage is subject to the cap on liability for losses and subject to underlying policy provisions.) **This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts of terrorism coverage.**
- f. To exclude coverage for losses arising out of:
 - (1) A certified act of terrorism; and
 - (2) Any other act of terrorism;that involve nuclear, biological or chemical materials (thereby providing coverage for certified acts of terrorism and other acts of terrorism not involving nuclear, biological or chemical material) use ~~Exclusion Of Nuclear, Biological Or Chemical Acts Of Terrorism; Cap On Losses From Certified Acts Of Terrorism Endorsement FL 10 43.~~
- gc. To exclude coverage for losses arising out of a certified act of terrorism that involve nuclear, biological, ~~or chemical~~ or radiological materials andbut provide coverage for other acts of terrorism subject to underlying policy provisions, use Exclusion Of Certified Acts Of Nuclear, Biological, Or Chemical Or Radiological Acts Of Terrorism; Cap On Losses From Certified Acts Of Terrorism Endorsement FL 10 44. Coverage for certified acts of terrorism under this endorsement is subject to the statutory cap on liability for losses provided by the Act. **This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts of terrorism coverage.**
- d. To also exclude punitive damages arising out of a certified act of terrorism when Endorsement FL 10 40 or FL 10 44 is attached to a policy, use Arkansas Changes – Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism Endorsement FL 10 96.

B. THE FOLLOWING PARAGRAPHS, B.1. THROUGH B.3., INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THE PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 20072014. However, if there is an extension of the federal Program beyond 20072014 and Farm policies which are NOT considered to be farmowners multiple peril insurance remain subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies not considered to be farmowners multiple peril insurance (a so-called hard ending).

Policies that become effective on or after January 1, 20072014 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). **If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.**

1. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **FL 10 67**.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **FL 10 68**.
3. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions), attach Conditional Limitation Of Coverage For Terrorism On An Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **FL 10 69**.

If this conditional endorsement is used along with terrorism aggregate limit endorsement described in Paragraph A. do **not** enter a Terrorism Aggregate Limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains how the Terrorism Aggregate Limit applies.

C. THE FOLLOWING PARAGRAPHS, C.1. THROUGH C.3., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES);

POLICIES CONSIDERED TO BE FARMOWNERS MULTIPLE PERIL INSURANCE.

1. To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement **FL 10 90**.

2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement **FL 10 91**.
3. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions), attach Limitation Of Coverage For Terrorism On An Annual Aggregate Basis Endorsement **FL 10 92**.

VERSION UE104 ARKANSAS

40. FARM AND CGL FARM UMBRELLA LIABILITY COVERAGE GENERAL RULES

The following is added to Rule 40.:

N. Terrorism Endorsement Options – Federal Backstop

ARKANSAS TERRORISM ENDORSEMENT

If the policy includes any of the terrorism endorsements as outlined in this rule or in the terrorism options under Division Thirteen – Commercial Liability Umbrella when Farm Umbrella liability coverage is being provided by use of Commercial Liability Umbrella Coverage Part, attach Arkansas Changes – Terrorism Endorsement **FB 01 81**. This endorsement states that no terrorism exclusions or limitations will apply to apply to an insured's personal or non-business activities.

INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by ~~an individual(s) acting on behalf of any foreign interest~~, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year ~~unless subsequent action of Congress changes that amount~~; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing Farm Umbrella Liability insurance for:

- Risks other than commercial automobiles; or
- Umbrella policies whose underlying insurance does not include Farmowners multiple peril insurance;

are required to participate in the program to the extent of ~~offering and making~~ available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to non-terrorism events.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, ~~and the federal share of compensation for such losses under the program~~ and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

IMPORTANT GENERAL INFORMATION

In the policy Declarations (or by other means at the insurer's option), it is advisable to indicate applicability of terrorism endorsements by line of business. This is especially important for a package policy that includes both TRIA and non-TRIA lines of business.

For those policies in which Farm umbrella liability coverage is being provided by use of Commercial Liability Umbrella Coverage Form **CU 00 01**, refer to Division Thirteen – Commercial Liability Umbrella for Terrorism endorsement options.

On December 22, 2005, President Bush signed the "Terrorism Risk Insurance Extension Act of 2005" which, in part, extended the provisions of TRIA until 2007 **but** excluded "farm owners multiple peril" insurance as a line of insurance subject to the provisions of TRIA.

On May 11, 2006, the Department of the Treasury published its Interim Final Rule as part of its implementation of The Terrorism Risk Insurance Extension Act of 2005. In part, the Rule clarifies the types of commercial property and casualty insurance covered by the Act. Policies which are considered to be farmowners multiple peril insurance are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. The Rule describes the insurance as follows: "Farmowners multiple peril insurance, including insurance reported under Line 3 (Farmowners Multiple Peril) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14)." Any Farm policy providing coverage only against a single peril or providing monoline farm insurance coverage remains subject to the provisions of the Act and companies are required to make available coverage for certified acts of terrorism. Furthermore, the Rule provides that umbrella insurance is included in the Program only to the extent the umbrella policy provides an upper layer of coverage for a type of insurance included in the Program.

For those policies in which Farm umbrella liability coverage is being provided by use of Farm Umbrella Liability Policy **FB 00 01** and the underlying insurance includes Farmowners multiple peril insurance, refer to Paragraphs **N.4.** and **N.5.** Such policies are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. If the underlying insurance does **not** include Farmowners multiple peril insurance, the following apply:

1. **THE FOLLOWING PARAGRAPHS, 1.a. AND 1.b. IN THIS SECTION 1., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH 2. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THE TREATMENT OF COVERED AUTOS UNDER FARM UMBRELLA LIABILITY POLICIES. REFER TO PARAGRAPH 3. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

~~When coverage is provided for certified acts of terrorism:~~

- a. ~~When coverage for certified acts of terrorism is to be provided, the following options are available:~~
 - (1) To provide coverage for both certified acts of terrorism and other acts of terrorism (subject to underlying policy provisions), but provide that the insurer will not pay any amount for injury or damage for any certified act of terrorism after the amounts of all such events in a statutory period exceed the cap provided by the Act, use Cap On Losses From Certified Acts Of Terrorism Endorsement **FB 10 40**.
 - (2) ~~To provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy provisions), and exclude other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Limited Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement **FB 10 41**.~~
 - (3) ~~To provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy provisions), and exclude losses arising out of an other act of terrorism that only involves nuclear, biological or chemical material (thereby providing coverage for all other acts of terrorism not involving nuclear, biological or chemical material), use Nuclear, Biological Or Chemical Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement **FB 10 42**.~~
 - (42) To also exclude punitive damages arising out of a certified act of terrorism, use Arkansas Changes – Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism Endorsement **FB 10 59**.

b. ~~When coverage for certified acts of terrorism is not be provided (or is to be provided with specific limitation), the following options are available:~~

(1) ~~To exclude coverage for certified acts of terrorism and but provide coverage for other acts of terrorism (subject to underlying policy provisions), use Exclusion Of Certified Acts Of Terrorism Endorsement FB 10 43.~~

(2) ~~To exclude coverage for losses arising out of a certified act of terrorism and any other act of terrorism that involves nuclear, biological or chemical materials (thereby providing coverage for all other acts of terrorism not involving nuclear, biological or chemical material), use Exclusion Of Certified Acts Of Terrorism And Other Nuclear, Biological Or Chemical Acts Of Terrorism Endorsement FB 10 44.~~

(3) ~~To exclude all losses arising out of certified acts of terrorism and other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement FB 10 45.~~

(4) ~~To exclude coverage for losses arising out of:~~

(a) ~~A certified act of terrorism; and~~

(b) ~~Any other act of terrorism;~~

~~that involve nuclear, biological or chemical materials (thereby providing coverage for certified acts of terrorism and other acts of terrorism not involving nuclear, biological or chemical material) use Exclusion Of Nuclear, Biological Or Chemical Acts Of Terrorism; Cap On Losses From Certified Acts Of Terrorism Endorsement FB 10 49.~~

(5) ~~To exclude coverage for losses arising out of a certified act of terrorism that involve nuclear, biological, or chemical or radiological materials and but provide coverage for other acts of terrorism subject to underlying policy provisions, use Exclusion Of Certified Acts Of Nuclear, Biological, Or Chemical Or Radiological Acts Of Terrorism; Cap On Losses From Certified Acts Of Terrorism Endorsement FB 10 50. Coverage for certified acts of terrorism under this endorsement is subject to the statutory cap on liability for losses provided by the Act. This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts of terrorism coverage.~~

(3) ~~To also exclude punitive damages arising out of a certified act of terrorism when Endorsement FB 10 50 is attached to a policy, use Arkansas Changes – Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism Endorsement FB 10 59.~~

2. THE TREASURY DEPARTMENT'S GUIDANCE HAS BEEN INTERIM FINAL RULE, PERTAINING TO THE TERRORISM RISK INSURANCE EXTENSION ACT OF 2005, PROVIDES THAT COMMERCIAL AUTOMOBILE LOSSES UNDER UMBRELLA LIABILITY POLICIES ARE NOT SUBJECT TO BACKSTOP UNDER TRIA. THE FOLLOWING PARAGRAPHS 2.a., 2.b. AND 2.c. INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS, WITH RESPECT TO THE TREATMENT OF COVERED AUTOS, THAT MAY BE ATTACHED TO FARM UMBRELLA LIABILITY POLICIES.

a. To:

(1) Follow the provisions, exclusions and limitations of the underlying Commercial Auto policy, with respect to coverage for acts of terrorism arising out of the ownership, maintenance or use of any covered auto; and

(2) Indicate that the endorsements described in Paragraphs **N.1.a.(2)**, **N.1.a.(3)**, **N.1.a.(4)** and **N.1.b.**, (if attached to the policy) do not apply to losses arising out of the ownership, maintenance or use of any covered auto;

use Arkansas Amended Terrorism Coverage – Covered Autos Endorsement **FB 10 28.**

- b. To exclude coverage for terrorism involving any covered autos, use Auto Exclusion Of Terrorism Coverage Endorsement **FB 10 24**. This endorsement should only be used under the following scenario:
- (1) The Farm Umbrella Liability Policy provides Terrorism coverage for Farm Liability;
 - (2) The underlying Commercial Auto Policy provides Terrorism coverage; and
 - (3) The Farm Umbrella Liability Policy is not being written to follow the provisions of the underlying Commercial Auto Policy, but instead is to exclude Terrorism coverage for covered autos under the Farm Umbrella Liability Policy.
- c. Endorsements **FB 10 234** and **FB 10 28** must not be attached to the same policy.
3. **THE FOLLOWING PARAGRAPHS, 3.a. AND 3.b., INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:**

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH 4. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, ~~2007~~2014. However, if there is an extension of the federal Program beyond ~~2007~~2014 and Farm Umbrella policies with no underlying Farmowners multiple peril insurance remain subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all such Farm umbrella policies with no underlying Farmowners multiple peril insurance (a so-called hard ending).

Policies that become effective on or after January 1, ~~2007~~2014 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). **If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.**

- a. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **FB 10 67**.
 - b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **FB 10 68**.
4. **THE FOLLOWING PARAGRAPHS, 4.a. AND 4.b., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:**

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES);

POLICIES WITH UNDERLYING FARMOWNERS MULTIPLE PERIL INSURANCE.

- a. To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement **FB 10 90**.
- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement **FB 10 91**.

5. Premium Determination

a. Premium Determination

In determining the umbrella premium for coverage for acts of terrorism:

- (1) If there is underlying coverage for acts of terrorism, the factors, credits, surcharges, etc., used in determining the premium for such coverage should only be applied in the calculation of the premium of the equivalent umbrella coverage for acts of terrorism (refer to Rule **41.G.1.a.** or **42.D.1.a.**, as applicable), not to the total umbrella premium (refer to Rule **41.G.1.c.** or **42.D.1.c.**, as applicable).
- (2) If there is no underlying coverage for the acts of terrorism, apply the factors, credits, surcharges, etc., for determining the premium for such coverage to the umbrella premium for acts of terrorism at the umbrella limits. Refer to Rule **41.G.1.b.** or **42.D.1.b.** as applicable.

All factors, credits, surcharges, etc., used in determining the premium for coverage for acts of terrorism must be referred to company prior to using.

b. Prorating

(1) When Certified Exclusion And Conditional Exclusion Are Not Used

For annual policies with a term that begins in the last Program Year of the federal Program and extends into the following year, pro rate the additional terrorism premium based on the proportion of time the policy will be in effect before and after the Program's termination.

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (a) Pro rate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the insurer in this state; or
- (b) Not pro rate. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

(2) When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, pro rate the additional terrorism premium based on the proportion of time that coverage will apply. Make no charge for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/07~~14~~; exclusion is anticipated to become effective on 1/01/08~~15~~. The additional terrorism premium would be 59% of the additional premium applicable to the 2007~~2014~~ Program Year (214/365 days).

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (a) Pro rate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the insurer in this state; or
- (b) Calculate the additional terrorism premium using the applicable Program Year premium for the entire policy term. If the federal Program terminates, recalculate the premium by prorating the applicable Program Year additional terrorism premium and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of return premium, if any, on file for the insurer in this state.

c. Disclosure Of Premium

(1) For Policies That Begin Prior To The Last Program Year Of The Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and the existence of the \$100 billion cap, is a condition for reimbursement under the federal program. ~~The following endorsements, Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85, which responds to the Treasury Guidance on line item disclosure, may be used:~~

- ~~(1) Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85 unless Paragraph N.5.c.(2) or N.5.c.(3) applies.~~

(2) For Policies That Begin In The Last Program Year Of The Federal Program

- (2a)** Use Disclosure Of Premium Through End Of Year For Certified Acts of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 98 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a Conditional Exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This is the situation described in Paragraph N.5.b.(2)(a). This endorsement recognizes the possibility of a mid-term additional premium charge.

- (3b) Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 99 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This situation is described in Paragraphs **N.5.b.(1)(a)**, **N.5.b.(1)(b)** and **N.5.b.(2)(b)**. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

VERSION EE100

50. FARM EXCESS LIABILITY COVERAGE

The following is added to Rule 50.:

J. Terrorism Endorsement Options – Premium Determination

INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a Program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Excess liability insurance is included in the Program only to the extent the Farm Excess Liability policy covers damages in excess of the retained limit for occurrences or offenses covered by a type of insurance included in the Program. With respect to excess liability insurance, the provisions of the terrorism endorsements applicable to the policy of underlying insurance are extended to apply to the provisions of the Farm Excess Liability policy.

For all new and renewal business, the insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the Program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

PREMIUM DETERMINATION

1. Premium Determination

In determining the premium for excess liability insurance for acts of terrorism:

- a. The factors, credits, surcharges, etc., used in determining the premium for the policy of underlying insurance should only be applied in the calculation of the premium of the equivalent excess liability insurance for acts of terrorism (refer to Rule 50.H.1.a.), not to the total excess liability premium (refer to Rule 50.H.1.b.).
- b. All factors, credits, surcharges, etc., used in determining the premium for excess liability insurance for acts of terrorism must be referred to company prior to using.

2. Prorating

a. When Certified Exclusion And Conditional Exclusion Are Not Used In The Underlying Policy Of Insurance

For annual excess liability insurance policies with a term that begins in the last Program Year of the federal Program and extends into the following year, pro rate the excess liability insurance additional terrorism premium based on the proportion of time the policy will be in effect before and after the Program's termination.

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (1) Pro rate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the insurer in this state; or
- (2) Not pro rate. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

b. When Terrorism Coverage Applies In The Underlying Policy Subject To Conditional Exclusion

When a conditional exclusion is attached to the underlying policy of insurance, the duration of the excess liability insurance and the commensurate premium for the excess liability insurance are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used with the underlying policy of insurance, pro rate the excess liability insurance additional terrorism premium based on the proportion of time that the excess liability insurance will apply. Make no charge for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/07~~14~~; exclusion is anticipated to become effective on 1/01/08~~15~~. The additional terrorism premium would be 59% of the additional premium applicable to the 20072014 Program Year (214/365 days).

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (1) Pro rate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the policy of underlying insurance conditional exclusion does not become applicable, and excess liability insurance continues to apply, recalculate the excess liability insurance premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the insurer in this state; or
- (2) Calculate the excess liability insurance additional terrorism premium using the applicable Program Year premium for the entire policy term. If the federal Program terminates, recalculate the premium by prorating the applicable Program Year additional terrorism premium and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable in the underlying policy of insurance, and excess liability insurance continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

3. Disclosure Of Premium

a. For Policies That Begin Prior To The Last Program Year Of The Federal Program

Disclosure of premium attributable to excess liability insurance for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses, and the existence of the \$100 billion cap, is a condition for reimbursement under the federal Program. ~~The following endorsements, Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85, which responds to the Treasury Guidance on line item disclosure, may be used:~~

- ~~a. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85 unless Paragraph J.3.b. or J.3.c. applies.~~

b. For Policies That Begin In The Last Program Year Of The Federal Program

- b.(1)** Use Disclosure Of Premium Through End Of Year For Certified Acts of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 98 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a conditional exclusion is used in the underlying policy of insurance and premium is being disclosed only for the period during which the federal Program is in effect. This is the situation that occurs when excess liability insurance for terrorism coverage applies subject to a conditional exclusion in the underlying policy of insurance as described in Paragraph J.2.b.(1). This endorsement recognizes the possibility of a mid-term additional premium charge.

- e.(2)** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement **IL 09 99** for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This situation is described in Paragraphs **J.2.a.(1)**, **J.2.a.(2)** and **J.2.b.(2)**. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.